

Hammond Housing Authority
Hammond, Louisiana

**Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended December 31, 2004
With Supplemental Information Schedules**

**WILLIAM DANIEL McCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

**415 Magnolia Lane
Mandeville, Louisiana 70471**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-6-05

HAMMOND HOUSING AUTHORITY
Hammond, Louisiana
Basic Financial Statements
As of and for the Fiscal Year Ended December 31, 2004
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hammond Housing Authority
Hammond, Louisiana

I have audited the accompanying basic financial statements of the Hammond Housing Authority (the authority) as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the Hammond Housing Authority as of December 31, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures as of July 1, 2002*. This results in a change in the format and content of the basic financial statements. Additionally, the authority adopted the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units* an amendment of GASB Statement 14.

Hammond Housing Authority
Hammond, Louisiana
Independent Auditor's Report, 2004
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated May 23, 2005 on my consideration of the authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis listed in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the authority's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and is not a required part of the basic financial statements of the authority. The accompanying Financial Data Schedule, required by HUD, is presented for purposes of additional analysis, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and the Financial Data Schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Danny McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 23, 2005

HAMMOND HOUSING AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2004

Hammond Housing Authority
Management Discussion and Analysis (MD&A)
December 31, 2004

As management of Hammond Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Hammond Housing Authority, 411 West Coleman, Hammond, LA 70403

Financial Highlights

- The assets of the Authority exceeded its liabilities as of December 31, 2004 by \$170,114 (net assets)
- The Authority's cash and cash equivalent balance as of December 31, 2004 was \$140,200 representing an increase of \$11,046.
- The Authority had intergovernmental revenue of \$1,109,650 in operating grants for the year ended December 31, 2004.
- The Authority administers federal, state and local grants to benefit the low income and elderly citizens of Hammond.
- The Authority received an 89% score related to their SEMAP for the fiscal year ended December 31, 2004.
- Since the Authority is a "Section 8 Only" Authority, a financial score related to their unaudited electronic Financial Data Schedule submission to the HUD Real Estate Assessment Center (REAC) for the year ended December 31, 2004 was not calculated. However, HUD is in the process of designing a system of scoring for "Section 8 Only" Authorities in the future.

Overview of Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's assets and liabilities at the end of the operating year and provides information about the nature and amounts of investment of resources and obligations to creditors.
- Statement of Revenue, Expenses, and Change in Net Assets – the results of activity over the course of the current year. It details the costs associated with operating the Authority and how those costs were funded. It also provides an explanation of the change in net assets from the previous operating period to the current operating period.
- Statement of Cash Flows – reports the Authority's cash flows in and out from operating, investing and financing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the operating year.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provide in the financial statements. The notes to the financial statements begin on page 14 of this report.
- Other information in addition to the basic financial statements and accompanying notes, presents certain supplementary information regarding the Authority's electronic data submitted to HUD REAC. Supplementary information can be found beginning on page 22 of this report.

Hammond Housing Authority
Management Discussion and Analysis (MD&A)
December 31, 2004

Our analysis of the Authority as a whole begins on this page. The most important question asked about the Authority's finances is, "Is the Authority, as a whole, better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenue, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. You can think of the Authority's net assets as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

Total Assets for YE 2003 were \$570,413 and at YE 2004 the amount was \$573,958. This represents a net increase of \$3,545. This increase is the function of current and restricted assets exceeding current depreciation for capital outlays during the year.

Current Assets increased by \$13,519.

Net Capital Assets decreased by \$16,788 because accumulated depreciation is lowering the values of capital assets. The Authority incurred no additional capital outlays. The Authority realized a net decrease in capital assets because current depreciation exceeded capital outlays.

Current Liabilities increased from \$20,215 in YE 2003 to \$21,254 in YE 2004. This increase of \$1,039 was the result of increases in the current portion of Long Term Debt payable for the year, as well as, increases in the amounts accrued for compensated absences payable, less decreases in amounts outstanding at year-end in vendor accounts payable and payroll taxes payable.

Non-current Liabilities decreased by \$14,564. This decrease represents principal payment amounts paid.

Net Assets – The difference between an organization's assets and its liabilities is its net assets. Net assets are categorized as one of three types.

Hammond Housing Authority
Management Discussion and Analysis (MD&A)
December 31, 2004

1. **Invested in capital assets, net of related debt** – Capital assets, net of accumulated depreciation and reduced by debt attributable to the acquisition of those assets;
2. **Restricted** – net assets whose use is subject to constraints imposed by law or agreement;
3. **Unrestricted** – net assets that are neither invested in capital assets nor restricted.

Hammond Housing Authority Net Assets

	2004
Current assets	<u>\$174,778</u>
Restricted assets	<u>53,049</u>
Capital assets (net)	<u>346,131</u>
Total assets	<u>573,958</u>
Current liabilities	<u>21,254</u>
Tenant security deposits	<u>3,575</u>
Long-term liabilities	<u>379,015</u>
Total Liabilities	<u>403,844</u>
Invested in capital assets (net)	<u>(45,970)</u>
Restricted Net Assets	<u>-</u>
Unrestricted Net Assets	<u>216,084</u>
Total Net Assets	<u>170,114</u>
Total Liabilities and Net Assets	<u>\$573,958</u>

In YE 2004 and YE 2003, total revenue was \$1,145,378 and \$1,129,600, respectively. Comparatively, YE 2004 revenue was more than YE 2003 revenue by \$15,778. The primary result was due to increases in HUD operating subsidies and operating grant revenues.

Total Operating Expenses increased by 3.1% in YE 2004 as compared to YE 2003. This is the net result of increases in Housing Assistance Payments made to landlords and general increases in administrative costs and decreases in repairs and maintenance and in depreciation expense.

Housing Assistance Payments increased by \$30,203 or 3.3% as compared to YE 2003.

Utilities increased by \$125 or 4% as compared to YE 2003.

Maintenance expenditures decreased by \$4,855 or 19.4% as compared to YE 2003. This is due to decreases in the amount of material costs incurred in unit turnaround efforts.

Hammond Housing Authority
Management Discussion and Analysis (MD&A)
December 31, 2004

Hammond Housing Authority Changes in Net Assets

	<u>2004</u>
Revenues:	
Operating revenues:	
Annual contributions – HAP	<u>\$933,577</u>
HUD administrative fee	<u>131,935</u>
Public housing operating subsidy	<u>-</u>
Operating grants	<u>44,138</u>
Dwelling rental	<u>26,756</u>
Nonoperating revenues:	
Capital grants	<u>-</u>
Interest revenue	<u>590</u>
Miscellaneous	<u>8,382</u>
Total revenues	<u>1,145,378</u>
Expenses:	
Housing assistance payments	<u>933,577</u>
General and administrative	<u>154,261</u>
Repairs and maintenance	<u>20,166</u>
Utilities	<u>3,259</u>
Tenant services	<u>-</u>
Protection services	<u>-</u>
Depreciation and amortization	<u>16,788</u>
Nonoperating expenses:	
Interest expense	<u>4,002</u>
Miscellaneous	<u>-</u>
Total expenses	<u>1,132,053</u>
(Decrease) in net assets	<u>13,325</u>
Net assets – 01/01	<u>156,789</u>
Net assets – 12/31	<u>\$170,114</u>

Hammond Housing Authority
Management Discussion and Analysis (MD&A)
December 31, 2004

Capital Asset and Debt Administration

Capital assets. Hammond Housing Authority's investment in capital assets as of December 31, 2004, amounts to \$346,131 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total decrease in Hammond Housing Authority's investment in capital assets for the current operating year was 4.6 %.

Hammond Housing Authority's Capital Assets

	<u>2004</u>	<u>2003</u>
Land	\$ 35,560	\$ 35,560
Buildings and improvements	610,597	610,597
Furniture and equipment	<u>80,279</u>	<u>80,279</u>
Total	<u>\$726,436</u>	<u>\$726,436</u>

Additional information on the Hammond Housing Authority's capital assets can be found in Note C of the Notes to the Financial Statements.

Long-term debt. At the end of the current year, Hammond Housing Authority had total debt outstanding of \$392,101. This debt is backed by the full faith and credit of the Housing Authority.

Hammond Housing Authority's Outstanding Debt

	<u>2004</u>
Noncurrent Long-term Debt, Net of Current	\$379,015
Current portion of Long-term Debt	<u>13,086</u>
Total	<u>\$392,101</u>

The balance of the total outstanding debt at year-end represents a decrease from that of the previous year-end of \$14,564, or 3.7 %.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development,
- Local labor supply and demand, which can affect salary and wage rates,
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore tenant rental income,
- Inflationary pressure on utility rates, supplies and other costs.

Hammond Housing Authority
Hammond, Louisiana
Statement of Net Assets
As of December 31, 2004

Exhibit A

ASSETS

Current assets

Cash and cash equivalents	\$ 140,200
Receivables:	
HUD	25,855
Prepaid insurance	<u>8,723</u>
Total current assets	<u>174,778</u>

Restricted assets

Cash and cash equivalents	53,049
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Noncurrent assets

Capital assets:

Nondepreciable capital assets:

Land	35,560
Total nondepreciable capital assets	<u>35,560</u>

Depreciable capital assets:

Buildings and improvements	671,538
Furniture and equipment	19,338
Less accumulated depreciation	<u>(380,305)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>310,571</u>

Total capital assets, net of accumulated depreciation	<u>346,131</u>
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Total assets	<u>573,958</u>
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LIABILITIES

Current Liabilities

Accounts payable	3,323
Accrued wages payable	2,494
Accrued compensated absences	2,351
Notes payable	<u>13,086</u>

Total current liabilities	<u>21,254</u>
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Liabilities Payable from Restricted Assets

Security deposit liability	<u>3,575</u>
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Noncurrent liabilities

Notes payable	<u>379,015</u>
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Total noncurrent liabilities	<u>379,015</u>
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Total liabilities	<u>403,844</u>
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NET ASSETS

Invested in capital assets, net of related debt	(45,970)
Unrestricted	216,084

Total net assets	<u>\$ 170,114</u>
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The accompanying notes are an integral part of these financial statements.

Exhibit B

Hammond Housing Authority
Hammond, Louisiana
Statement of Revenue, Expenses, and Changes in Net Assets
For Fiscal Year Ended December 31, 2004

Operating Revenues	
Annual contributions - Housing Assistance Payments	\$ 933,577
HUD Administrative Fee	131,935
Other Government Grants	44,138
Dwelling Rental	<u>26,756</u>
Other Operating	
Total operating revenues	<u>1,136,406</u>
Operating Expenses	
Housing Assistance Payments	933,577
General and administrative	154,261
Repairs and maintenance	20,166
Utilities	3,259
Depreciation and amortization	<u>16,788</u>
Total operating expenses	<u>1,128,051</u>
Operating income (loss)	8,355
Nonoperating Revenues (Expenses):	
Other Government Grants	-
Interest revenue	590
Interest (expense)	(4,002)
Miscellaneous revenues	8,382
Total nonoperating revenues (expenses)	<u>4,970</u>
Change in net assets	13,325
Net assets, beginning of year, as restated	<u>156,789</u>
Net assets, end of year	<u><u>\$ 170,114</u></u>

The accompanying notes are an integral part of these financial statements.

Hammond Housing Authority
Statement of Cash Flows
Fiscal Year Ended December 31, 2004

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from federal subsidies	\$ 1,064,620
Receipts from other government grants	44,138
Receipts from tenants	26,756
Payments to landlords	(933,577)
Payments to suppliers	(73,850)
Payments to employees	<u>(112,927)</u>
Net cash provided by operating activities	<u>15,160</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Miscellaneous revenues	8,382
Net cash provided by noncapital financing activities	<u>8,382</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase and construction of capital assets	-
Principal paid on long-term debt	(9,084)
Interest paid on long-term debt	<u>(4,002)</u>
Net cash (used in) capital and related financing activities	<u>(13,086)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>590</u>
Net cash provided by investing activities	<u>590</u>
Net (decrease) in cash and cash equivalents	<u>11,046</u>
Cash and cash equivalents - beginning of year	<u>129,154</u>
Cash and cash equivalents - end of year	<u>\$ 140,200</u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating (loss)	\$ 8,355
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization	16,788
Changes in assets and liabilities:	
HUD receivable	892
Prepaid insurance	(527)
Restricted assets	(10,389)
Accounts payable	(302)
Accrued wages payable	(227)
Accrued compensated absences	90
Security deposit liability	<u>480</u>
Net cash provided by operating activities	<u>\$ 15,160</u>

The accompanying notes are an integral part of the financial statements

Hammond Housing Authority
Hammond, Louisiana
Notes to the Financial Statements
For Fiscal Year Ended December 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Reporting Entity

The Hammond Housing Authority (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of the City of Hammond, Louisiana. This formation was contingent upon the approval of the city.

The authority is governed by a Board of Commissioners (Board), which is composed of five members appointed by the city and serve five-year staggered terms. The Board of the authority exercises all powers granted to the authority.

The Board has the final responsibility for:

1. Approving budgets.
2. Exercising control over facilities and properties.
3. Controlling the use of funds generated by the authority
4. Approving the hiring and firing of key personnel
5. Financing improvements.

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The authority is financially accountable for a component unit if it appoints a voting majority of the organization's board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, or impose specific financial burdens on the authority. The authority presently has no component units included within its reporting entity.

(2) Government-wide financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the activities of the authority.

(3) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements by the provider have been met.

The accompanying financial statements include the activities of several housing programs subsidized by HUD. A summary of each significant program is provided below.

Housing Assistance Programs

The housing assistance payment program utilizes existing privately owned family rental housing units to provide decent and affordable housing to low income families. Funding of the program is provided by federal annual housing assistance contributions from HUD, which provide for the difference between the approved landlord contract rent and the rent paid by the tenant.

Rural Rental Housing Loans

The rural rental housing loans program, through the Department of Agriculture, provides economically designed and constructed rental and cooperative housing and related facilities suited for rural residents. Loans can be used to construct, or to purchase and substantially rehabilitate rental or cooperative housing or to develop manufactured housing projects.

The government-wide financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Authority maintain its (their) accounts in accordance with the chart of accounts prescribed by the U.S. Department of Housing and Urban Development (HUD). For financial reporting purposes, the authority reports all of its operations in a single enterprise fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed, to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The authority also has the *option* of following subsequent private-sector guidance, subject to the same limitations. The authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the authority's enterprise fund are HUD Section 8 Housing Assistance Subsidies, Section 8 Management Fees, the Rural Rental Housing Subsidies, and tenant dwelling rents. Operating expenses include Section 8 Housing Assistance Payments, General and Administrative expenses, repairs and maintenance expenses, utilities and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Hammond Housing Authority
Hammond, Louisiana
Notes to the Financial Statements – 2004, continued

When both restricted and unrestricted resources are available for use, it is the authority's policy to use restricted resources first, then unrestricted resources as they are needed.

(4) New Accounting Standards Adopted

During the year ended December 31, 2004, the Authority adopted four new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.
- Statement No. 39, *Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14*.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments including special purpose governments such as the Hammond Housing Authority. This new reporting model requires management to provide a narrative and analysis to the ordinary user called Management's Discussion and Analysis (MD&A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

(5) Assets, liabilities, and net assets

(a) Deposits and Investments

The authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. HUD regulations, state law and the authority's investment policy allow the housing authority to invest in collateralized certificates of deposit and securities backed by the federal government. Investments for the authority are reported at fair value.

(b) Inventory and prepaid items

All inventories are valued on a first-in first-out (FIFO) basis. Inventories consist of expendable building materials and supplies held for consumption in the course of the authority's operations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(c) Restricted Assets

Cash equal to the amount of tenant security deposits and a reserve account earmarked for capital improvements at Jackson Square are reflected as restricted.

Hammond Housing Authority
Hammond, Louisiana
Notes to the Financial Statements – 2004, continued

(d) Capital assets

Capital assets, which include land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Modernization and improvements	40 years
Furniture and equipment	5 years

(e) Due from/to other governments or agencies

Amounts due from/to the authority to/by other governments or agencies are generally for HUD grants or programs under which the services have been provided by the authority. The authority also records an amount due to the various taxing districts within the region for payments in lieu of taxes.

(f) Allowance for doubtful accounts

The authority provides an allowance for doubtful accounts, as needed, for accounts deemed not collectible. At December 31, 2004, the management of the authority established no need for an allowance for doubtful accounts.

(g) Compensated absences

It is the authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation and sick pay is accrued when incurred and reported as a liability.

Employees earn from 40 to 160 hours and 8 to 96 hours per year in annual leave and sick leave, respectively. Employees may accumulate an unlimited number of annual leave hours. Depending upon their length of service, employees receive payment for up to 80 annual leave hours and 48 sick leave hours upon termination or retirement at their then current rate of pay. Employees are not compensated for unused sick leave. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned.

Hammond Housing Authority
Hammond, Louisiana
Notes to the Financial Statements – 2004, continued

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the government-wide financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND CASH EQUIVALENTS

See Note A for discussion of policies related to cash and cash equivalents. At December 31, 2004, the authority has cash and cash equivalents (book balances) totaling \$140,200 as follows:

Interest-bearing demand deposits	\$140,200
Time deposits	-
Total	<u>\$140,200</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the authority has \$145,899 in deposits (bank balances), categorized below to reflect the amount of risk assumed by the authority.

GASB Category 1	\$145,899
GASB Category 2	-
GASB Category 3	-
Total	<u>\$145,899</u>

NOTE C - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 35,560	-	-	\$ 35,560
Construction in Progress	-	-	-	-
Building and improvements	671,538	-	-	671,538
Furniture and equipment	19,338	-	-	19,338
Total	<u>726,436</u>	<u>-</u>	<u>-</u>	<u>726,436</u>

Hammond Housing Authority
Hammond, Louisiana
Notes to the Financial Statements – 2004, continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Building and improvements	344,179	16,788	-	360,967
Furniture and equipment	19,338	-	-	19,338
Total accumulated depreciation	363,517	16,788	-	380,305
Net Capital Assets	<u>\$362,919</u>	<u>\$(16,788)</u>	<u>-</u>	<u>\$346,131</u>

NOTE D - LONG-TERM DEBT

The long-term liability at December 31, 2004 represents a housing revenue note payable to the United States Department of Agriculture, Rural Development Administration under the Rural Rental Housing Loan Program (CFDA 10.415). The note is due in monthly installments of \$1,474 through January 2031, with an annual interest rate of 13.25%.

Because of the variable terms of the USDA program 10.415, it is not possible to determine exactly what the long-term debt amortization is. The estimated annual requirements to amortize long-term debt outstanding at December 31, 2004, including interest of \$53,514 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$13,227	\$3,861	\$17,088
2006	13,360	3,728	17,088
2007	13,494	3,594	17,088
2008	13,630	3,458	17,088
2009	13,767	3,321	17,088
2010-2014	70,937	14,503	85,440
2015-2019	74,572	10,868	85,440
2020-2024	78,394	7,046	85,440
2025-2029	82,411	3,029	85,440
2030-2031	18,309	106	18,415
Total	<u>\$392,101</u>	<u>\$53,514</u>	<u>\$445,615</u>

The Housing Authority has also entered into an interest credit and rental assistance agreement with FmHA under which the Housing Authority earns a credit against the interest payable on the mortgage note. The credit may result in an effective interest rate as low as one percent (1%). FmHA may terminate the interest credit agreement if it is determined that no subsidy is necessary or if the Housing Authority is determined to be in noncompliance with the loan agreement or other applicable FmHA rules or regulations.

Hammond Housing Authority
Hammond, Louisiana
Notes to the Financial Statements – 2004, continued

NOTE E - RESERVED FUND BALANCE

As discussed in Note D, during 1982 the Housing Authority received a \$659,140 loan from Farmers Home Administration (CFDA #10.415) for the construction of housing accommodations for persons of low income. The loan agreement requires the establishment of a reserve fund. The Housing Authority must transfer into this fund an amount not less than \$8,600 annually. At December 31, 2004, the Housing Authority had a balance of \$49,474 in the reserve account.

NOTE F - RENTAL ASSISTANCE AGREEMENT

The Housing Authority has entered into a contract with FmHA that provides rental assistance payments on behalf of eligible lower income persons or families. Under this contract the Housing Authority agreed to rent only to eligible persons or families at FmHA-approved rates and to adhere to certain rules of operation. FmHA may, at its option, terminate the contract if the Housing Authority is determined to be in noncompliance with the FmHA loan agreement or other applicable FmHA rules or regulations. FmHA may also reduce the number of units covered by the contract should it determine that there is a lack of eligible tenants in the area. The contract automatically expires upon the total disbursement of the contract's original obligated amount.

NOTE G - COMPENSATED ABSENCES

At December 31, 2004, employees of the authority have accumulated and vested \$2,351 of employee leave benefits, which is presented as a current liability in the accompanying financial statements. The long-term portion of the liability is considered immaterial and has not been reclassified to long-term liabilities. Except as discussed above, the liability has been computed in accordance with GASB Codification Section C60.

NOTE H - PRIOR PERIOD ADJUSTMENTS AND CORRECTIONS OF ERRORS

The housing authority recorded insignificant adjustments totaling \$3,265 to correct prior period errors.

NOTE I - RETIREMENT PLAN

The authority participates in the Housing-Renewal and Local Agency Retirement Plan, administered by Broussard, Bush & Hurst, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing six months of continuous and uninterrupted employment. Plan provisions and changes to the plan contributions are determined by the Board of the authority.

Hammond Housing Authority
Hammond, Louisiana
Notes to the Financial Statements – 2004, continued

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to six percent (6) of each participant's basic (excludes overtime) compensation. Employees are required to contribute five percent (5%) of their annual covered salary. The authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the authority. Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday or after ten years of participation in the plan.

The authority's total payroll for the year ended December 31, 2004, was \$90,096. The authority's contributions were calculated using the base salary amount of \$90,096. The authority made the required contributions of \$5,680 for the year ended December 31, 2004.

NOTE J - RISK MANAGEMENT

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The authority's risk management program encompasses obtaining property and liability insurance.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, there have been no significant claims that have exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE K - FEDERAL COMPLIANCE CONTINGENCIES

The authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

Hammond Housing Authority
Financial Data Schedule
Fiscal Year Ended December 31, 2004

Schedule 1

PHA: LA104 FYED: 12/31/2004

Line Item No.	Account Description	Rural Rental Housing	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$9,322	\$130,878	\$140,200
113	Cash - Other Restricted	\$53,049	\$0	\$53,049
100	Total Cash	\$62,371	\$130,878	\$193,249
122	Accounts Receivable - HUD Other Projects	\$2,229	\$23,626	\$25,855
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful	\$2,229	\$23,626	\$25,855
142	Prepaid Expenses and Other Assets	\$7,650	\$1,073	\$8,723
150	Total Current Assets	\$72,250	\$155,577	\$227,827
161	Land	\$35,560	\$0	\$35,560
162	Buildings	\$610,597	\$0	\$610,597
163	Furniture, Equipment & Machinery - Dwellings	\$16,493	\$0	\$16,493
164	Furniture, Equipment & Machinery - Administration	\$2,845	\$0	\$2,845
165	Leasehold Improvements	\$60,941	\$0	\$60,941
166	Accumulated Depreciation	(\$380,305)	\$0	(\$380,305)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$346,131	\$0	\$346,131
180	Total Non-Current Assets	\$346,131	\$0	\$346,131
190	Total Assets	\$418,381	\$155,577	\$573,958

PHA: LA104 FYED: 12/31/2004

Line Item No.	Account Description	Rural Rental Housing	Housing Choice Vouchers	Total
312	Accounts Payable <= 90 Days	\$2,619	\$704	\$3,323
321	Accrued Wage/Payroll Taxes Payable	\$0	\$2,494	\$2,494
322	Accrued Compensated Absences - Current Portion	\$0	\$2,351	\$2,351
341	Tenant Security Deposits	\$3,575	\$0	\$3,575
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$13,086	\$0	\$13,086
310	Total Current Liabilities	\$19,280	\$5,549	\$24,829
351	Long-term Debt, Net of Current - Capital	\$379,015	\$0	\$379,015
350	Total Noncurrent Liabilities	\$379,015	\$0	\$379,015
300	Total Liabilities	\$398,295	\$5,549	\$403,844
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	(\$45,970)	\$0	(\$45,970)
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$66,056	\$150,028	\$216,084
513	Total Equity/Net Assets	\$20,086	\$150,028	\$170,114
600	Total Liabilities and Equity/Net Assets	\$418,381	\$155,577	\$573,958

Hammond Housing Authority
Financial Data Schedule
Fiscal Year Ended December 31, 2004

Schedule 1

PHA: LA104 FYED: 12/31/2004

Line Item No.	Account Description	Rental Housing Loans	Housing Choice Vouchers	Total
703	Net Tenant Rental Revenue	\$26,756	\$0	\$26,756
705	Total Tenant Revenue	\$26,756	\$0	\$26,756
706	HUD PHA Operating Grants	\$0	\$1,065,512	\$1,065,512
708	Other Government Grants	\$44,138	\$0	\$44,138
711	Investment Income - Unrestricted	\$264	\$326	\$590
715	Other Revenue	\$2,382	\$6,000	\$8,382
700	Total Revenue	\$73,540	\$1,071,838	\$1,145,378

PHA: LA104 FYED: 12/31/2004

Line Item No.	Account Description	Rental Housing Loans	Housing Choice Vouchers	Total
911	Administrative Salaries	\$12,000	\$82,656	\$94,656
912	Auditing Fees	\$0	\$7,670	\$7,670
914	Compensated Absences	\$0	\$91	\$91
915	Employee Benefit Contributions - Administrative	\$918	\$12,462	\$13,380
916	Other Operating - Administrative	\$4,382	\$16,916	\$21,298
931	Water	\$299	\$0	\$299
932	Electricity	\$2,960	\$0	\$2,960
941	Ordinary Maintenance and Operations - Labor	\$4,800	\$0	\$4,800
942	Ordinary Maintenance and Operations - Materials and	\$3,967	\$0	\$3,967
943	Ordinary Maintenance and Operations - Contract Costs	\$11,399	\$0	\$11,399
961	Insurance Premiums	\$10,623	\$6,543	\$17,166
967	Interest Expense	\$4,002	\$0	\$4,002
969	Total Operating Expenses	\$55,350	\$126,338	\$181,688
970	Excess Operating Revenue over Operating Expenses	\$18,190	\$945,500	\$963,690
973	Housing Assistance Payments	\$0	\$933,577	\$933,577
974	Depreciation Expense	\$16,788	\$0	\$16,788
900	Total Expenses	\$72,138	\$1,059,915	\$1,132,053
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under)	\$1,402	\$11,923	\$13,325

Hammond Housing Authority
Financial Data Schedule
Fiscal Year Ended December 31, 2004

Schedule 1

PHA: LA104 FYED: 12/31/2004

Line Item No.	Account Description	Rental Housing Loans	Housing Choice Vouchers	Total
1102	Debt Principal Payments - Enterprise Funds	\$13,086	\$0	\$13,086
1103	Beginning Equity	\$15,268	\$138,256	\$153,524
1104	Prior Period Adjustments, Equity Transfers and	\$3,416	(\$151)	\$3,265
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$1,049,156	\$1,049,156
1114	Prorata Maximum Annual Contributions Applicable to a	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$1,133,758	\$1,133,758
1116	Total Annual Contributions Available	\$0	\$2,182,914	\$2,182,914
1120	Unit Months Available	240	3,432	3,672
1121	Number of Unit Months Leased	240	3,415	3,655

Schedule 2

Hammond Housing Authority
Hammond, Louisiana
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended December 31, 2004

<i>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</i>	<i>CFDA #</i>	<i>Federal Expenditures</i>
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Rural Rental Housing Loans	10.415	44,138
Housing Choice Voucher Program	14.871	1,065,512
Total Federal Expenditures		<u>\$ 1,109,650</u>

Note A – General

The Schedule of Expenditures of Federal Awards Programs included herein represents all of the Federal grant awards of the Authority over which it exercised direct operating control for the year ended December 31, 2004.

Note B – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards Programs is presented using the accrual basis of accounting and includes expenses incurred by the Authority during its fiscal year January 1, 2004 to December 31, 2004.

Note C – Findings of noncompliance

See schedule of findings and questioned for findings of noncompliance identified in connection with the December 31, 2004 Single Audit.

Note D - Rural Rental Housing Loan

Not included in the above Schedule of Expenditures of Federal Awards is a \$392,101 outstanding long-term housing revenue note payable at December 31, 2004. The note is payable to the Rural Development Administration under CFDA 10.415.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Hammond Housing Authority
Hammond, Louisiana

I have audited the financial statements of the Hammond Housing Authority (the authority), as of and for the year ended December 31, 2004 and have issued my report thereon dated May 23, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial

Hammond Housing Authority
Hammond, Louisiana
Report on Internal Control... *Government*
Auditing Standards, 2004
Page Two

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of commissioners and management, others within the organization, the Louisiana Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Danny McCaskill

William Daniel McCaskill, CPA
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May 23, 2005

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Hammond Housing Authority
Hammond, Louisiana

Compliance

I have audited the compliance of the Hammond Housing Authority (the authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the authority's management. My responsibility is to express an opinion on the authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the authority's compliance with those requirements.

In my opinion, the authority complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations,

contracts and grants applicable to federal programs. In planning and performing my audit, I considered the authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners and management, others within the organization, the Louisiana Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Danny McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 23, 2005

Schedule 3

Hammond Housing Authority
Hammond, Louisiana
Schedule of Compensation Paid to Board Members
Fiscal Year Ended December 31, 2004

The board members serve without compensation

Schedule 4

**Hammond Housing Authority
Hammond, Louisiana
Schedule of Prior Year Audit Findings
Fiscal Year Ended December 31, 2004**

Finding 2003-1:

Board minutes did not reflect review of the financials
Annual budgets and revisions were not approved by the Board
The SEMAP reporting was not approved by the Board
The Louisiana Compliance Questionnaire was not approved by the Board
Minutes of the annual meeting were not transcribed
The annual meeting was described in other minutes as a Christmas party
The Board approved a small annual bonus for employees

The finding is not repeated in the current year

Hammond Housing Authority
Hammond, Louisiana
Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended December 31, 2004

Summary Schedule of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the authority.
2. No reportable conditions required to be reported in the Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards* were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable condition(s) disclosed during the audit of internal control over major federal award programs are reported in the Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the authority expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule. (2nd report in the back, Single Audit Report)
7. The programs tested as major programs included:
 - o 14.871 Housing Choice Vouchers
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The authority did not qualify as a low-risk auditee.

Schedule 5

Hammond Housing Authority
Hammond, Louisiana
Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended December 31, 2004

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Awards Programs Audit

None